RICHARD RUSSELL'S **DOW THEORY LETTERS, INC.**

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April 22, DJIA 927.07; PTI 820; A-D Ratio –20.22
April 29, DJIA 926.90; PTI 822; A-D Ratio –20.18

OPENING THOUGHTS: According to Dow Theory, a movement ends at the point where the Averages record their *last confirmed* highs or lows. From a Dow Theory standpoint, the great bear market of 1966-74 ended in October, 1974. At that point the two Averages, Industrials and Transports, recorded their last confirmed lows. True, Industrials sank to new unconfirmed lows is December, 1974, but the last confirmed lows occurred in *October.*

The last confirmed highs for the bull market that began in 1974 were recorded in mid-*July*, 1976. At no time since have *both* Averages been higher. Personally, I don't think the bull market ended last July. But if it did, we will have witnessed a "mini-bull" market that lasted only 21 months. Any time I see a market movement terminate (in duration) with a Fibonacci number (such as 21, 34, 55, etc., see later section) I get a bit nervous. Nevertheless, I want to adhere to the principle that the primary bull trend remains in force until proved otherwise.

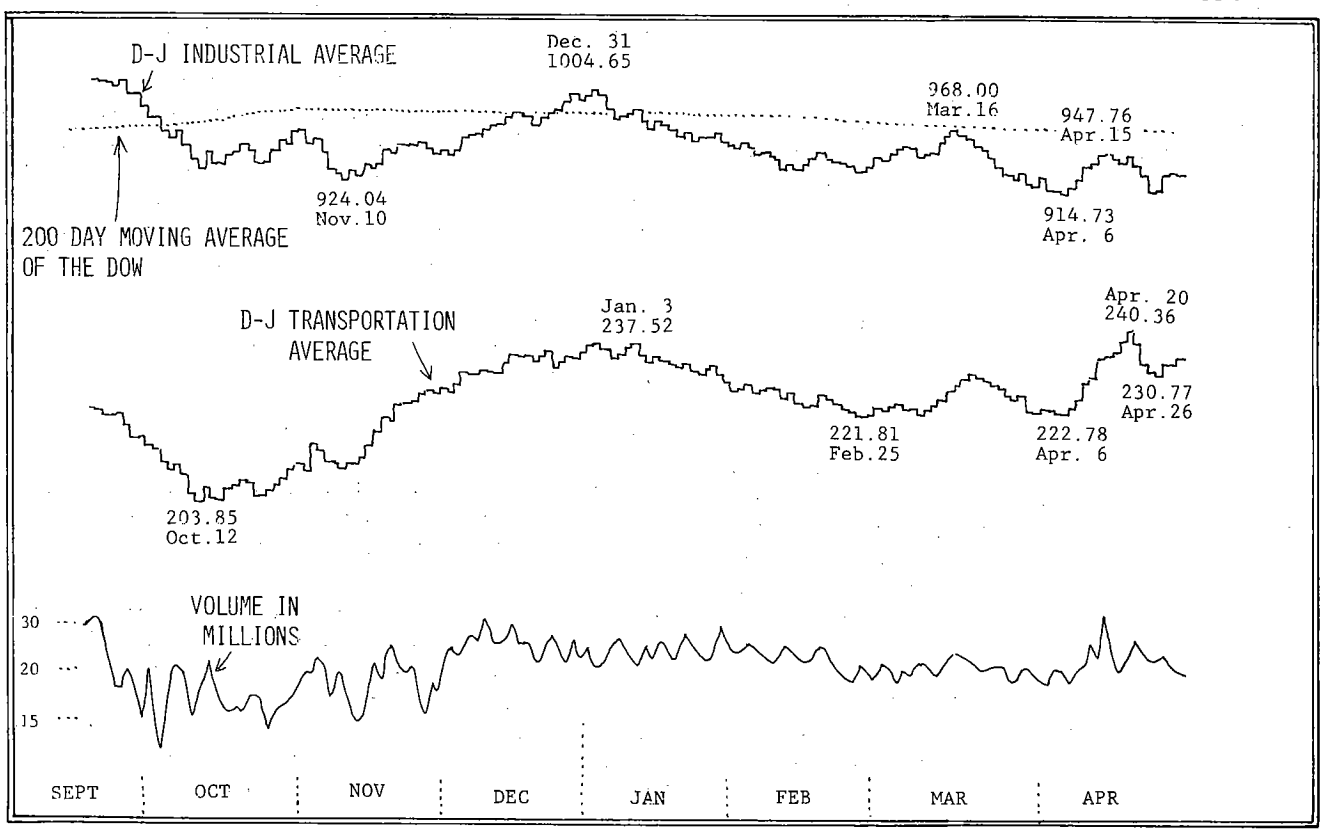
The Industrial Average, by recently breaking below its November, 1976 low, has given one-half of a primary bear signal. But in Dow Theory terms, half a signal is no better than none at all. So unless the Transports confirm by violating 203.85 (their October low) I will consider that the bull is still alive, that he is lurking somewhere in the background, that he is waiting patiently for his chance to emerge.

Nevertheless, as I said in the last report, if we are indeed in a continuing bull market, that thesis alone will not guarantee that a naive investor can't go broke. For instance, stockholders were pulverized during the 1933-34 bull market correction, they were hurt badly in the 1953 correction, they were brutalized in 1957, and many readers undoubtedly remember the "out of the blue" market collapse of 1962. I don't intend to have my subscribers sit through that kind of action, and the question therefore arises, "Could we now be facing a severe bull market correction or even a new bear market?"

I feel uncomfortable enough about the action of the past few weeks to say, "Yes, yes we could be facing trouble. I believe the odds for trouble are great enough to warrant our leaving Wall Street alone for awhile. And by alone, I mean with very little money in common stocks. I will say a good deal more about the actual market and the price movement in the next section.

But what, I ask myself, what could this market be "seeing" and discounting that makes it act so sloppy? I've been thinking a good deal about that, and I offer two theories.

(1) President Carter is coming on, loud and clear, as a populist. He wants to be fair, he wants to be "everybody's President." Fine, but Carter deals in taxes, regulations, rebates, ceilings and floors, manipulations of the forces of supply and demand.



The market is seeing this clearly, and it doesn't like it. The Carter energy policy is telling the story. And the story is one of manipulation of the free markets, rather than faith in the markets. Wall Street was hoping for a bit of freedom, and it got more regulations. So it has headed down, the stock market's classic way of protecting itself.

I've included this clipping from the May 2 *Newsweek*. Famed economist Milton Friedman wrote it, and I think he says it all. At least he says it from the standpoint of those of us who believe in free markets.

WRONG TREATMENT

The Carter proposal is a monstrosity. Its end result would be less energy and more wasteful use of energy. The consumer would pay higher costs—directly and through taxes—than in a free market. Producers of all products would be forced to use energy inefficiently, reducing our over-all productivity. This is a prescription for stagnation.

James Schlesinger is a highly trained and intelligent economist. He knows better. How can he have produced such a proposal? The answer seems simple. Politics has taken precedence over economics. To propose the right answer—eliminating government controls and letting the free market work—would render unnecessary the agency that he is destined to head!

Do we really want, does President Carter really want, to turn the production and distribution of energy over to the same people who run the Postal Service and Amtrak?

(2) This is my second theory about the market weakness. It is very possible that the stock market has already discounted whatever improvement we are now seeing in business. It has discounted the possibility of business improving perhaps right into the Summer or even the Fall. But the market is **now** discounting the next business recession, the next economic decline which could start in three to six months or well before 1978 is ushered in.

One, both or neither of the above theories may apply. I offer them for what they are worth. I happen to think that the first definitely applies with a 50/50 chance of the second proving accurate.

WHY I WAVED THE WARNING FLAG: All during 1976 and 1977 the investment policy that I advocated for readers was (1) 50% or more of available assets in bonds (or bond funds,) and (2) the rest in high-yielding, low price/earnings ratio common stocks. That investment stance was based on a number of concepts. Simply put, the concepts were as follows:

(A) Bonds are in a bull market and have been so since 1974. Bonds have been providing very excellent yields. As such, they represented outstanding *values*. The effect of compounding high bond yields, from an investment standpoint, was (and obviously still is) extremely attractive.

(B) Stocks have been in a bull market since late-1974. Despite all sorts of divergences, non-confirmations, and out-of-gear movements, it has been my policy all along to "give the bull market every benefit of the doubt." This has meant holding a certain portion of assets in common stocks with the stipulation that these stocks must represent *value* in terms of earnings, yields and preferably both.

In Letter 694, however, I began to change my stance regarding stocks. Under the section entitled "Problems, Problems" (page 3) I stated that I wanted each subscriber to "go through your list and where a stock sells above a P/E ratio of 10, or where a stock yields less than 6%, I would either cut back or eliminate it from your holdings." I guess you could call that the yellow caution flag.

Then in the last Letter (695) I raised the warning flag. In the "Late Notes" section (page 5) I said that I wanted subscribers to sell their stocks down to the "comfort point." The comfort point was described as the point at which you would "feel very, very comfortable if this market turned down and started sliding into a heavily over-sold position, a position which could easily take the Dow below 900."

Subscribers will immediately ask, "Why did you turn so bearish? Why did you finally advocate moving largely out of common stocks, after giving the bull market the benefit of the doubt for so long? What was your reasoning, Russell?"

The broad answer to that question is this: I felt that as of the week ending April 22, the weight of evidence for the market had tipped to the downside. Because I felt this, I wanted to **protect** my subscribers against the possibility of substantial losses. I wanted to "take out the insurance policies."

"Alright," you retort, "but what were some of the factors in your judgment, regarding the weight of evidence switching to the bearish side?"

Here is the foremost: from the Dow Theory standpoint, I kept stressing that the strength shown by the Transports on every downthrust was very constructive; it was a very hopeful sign. Over and over again, Industrial weakness was not confirmed by Transports. Thus, the action each time the market hit the down-elevator continued to look impressive. So much for the down-side, which constitutes one half of the story.

On April 6 (see page 1 chart) it appeared that the downside had been thoroughly tested. On the decline from the mid-March high to the April 6 low, the Transports held beautifully. They held not only far above their October low of 203.85, they even held (at the April 6 low) above the February bottom of 221.81. The market seemed ready for a real try on the upside.

From the April 6 lows of 914.73 (Industrials) and 222.78 (Transports), the Averages rallied. But what I saw made me do a "double take." The Transportation Average spurted higher for nine consecutive trading sessions to a **new bull market high of 240.36** on April 20. In the face of this great Transport action, the Industrial Average put on one of the weakest performances I have ever seen. Industrials closed at 942.59 on April 20. This was 5 points below their peak of April 15, 26 points below their peak of March 12, 62 points below their high of December 31, and a whopping 72 points below their bull market high of 1014.79 (recorded last September 21).

Frankly, I was flabbergasted by the inability of Industrials to better any single peak of the last seven months (they failed to even better their very minor high of 947.76, recorded a few days earlier on April 15th!). If Industrials are that weak, I reasoned, what will happen to them when the market turns down?"

So on a Dow Theory reading, the market hardly appeared appetizing on the week ending April 22. As a review, this is what I saw as that week ended: (1) Industrials had recorded their bull market peak on September 21 at 1014.79. Since then the Industrials and Transports had *diverged persistently*, with Transports tracing out a series of *rising* tops and bottoms while Industrials established a series of *declining* tops and bottoms.

Now in all history, such divergences have always ended with the two Averages getting back in gear–either on the upside or the downside. Divergences such as the 1976-77 one, which has lasted 7 months, are rare. Divergences of a year or more are almost unheard of.

With the pathetic upside failure by Industrials on April 20, I felt that the Averages were finally waving the caution flag (under Dow Theory). And I thought it was time for my subscribers to move pretty much to the sidelines. We had given the market ample time to work out its problems. On April 20 the Industrial non-confirmation was telling us that it was time to "duck our heads."

* * * *

Then there is the problem of the Dow and its *moving averages* (MA's). I have been watching the moving averages of the Dow with some discomfort, as described in Letter 694, page 3. The three MA's have been sliding with the 13-week MA widening its bearish spread as it sinks below the 50-week MA. Most major market declines end up with a very wide bearish spread between the 13 and 50-week MA's of the Dow. Last week the bearish spread amounted to only 27 points. This figure allows for the *possibility* of a good deal more downside action.

On April 20 the *Advance-Decline Ratio* was only 1.6 points below its January 3 bull market high. The A-D Ratio had actually put on an incredibly good performance during 1977. And this meant that the great majority of stocks have not fared too badly, despite the almost 10% drop in the Dow and the severe smashes in many glamor issues. But I felt that too many analysts and advisories had picked up my thesis that a strong A-D was a bullish indication for the market, regardless of any and all Dow weakness.

I felt it was perhaps time for a "double cross" by the market, meaning that the A-D and the great majority of stocks could now turn weak. The consensus all along had been that "most of the market is on a real value basis and cannot go much lower." I was becoming uneasy about this widely-held opinion (which, for a while, had been my own opinion!)

Another thought also bothered me. During the 1957 correction (within a bull market) the A-D had lost over 12 points. During the 1962 correction (within a bull market) the A-D lost over 13 points. Here we were on April 22, down less than 2 points on the A-D. If the rug was to be pulled, the A-D could (along with most stocks) take a substantial further slide.

Alright, here's another worry. My "negative volume index,"which tends to be a barometer of investment money (as contrasted with public money) broke down completely on April 20, to a new low. I have not written about the negative volume index for a long time, but suffice it to say that it is a cumulative index based on the breadth differential on days when NYSE volume is below the volume of the previous day. Negative volume signals usually precede important movements in the A-D Ratio. And here was a very bearish signal in negative volume. I didn't like this at all.

Next, my "tick volume" index, last described in Letter 683, had been unable to climb appreciably above zero in 1977. This index is based on the up-ticks and down-ticks of all NYSE stocks as recorded on their last trades. The tick figures can be punched out on the computer machines which most brokerage houses now provide. I use the *final* tick figure which tends to show prevailing buying or selling pressure at the market close. My tick index was showing me that there just was no accumulation of upside pressure. On April 20 the ticks looked sick. This was a further factor in my sending out the Letter 695 warning.

The Utility Average disappointed me on the week ending April 22. The Utility Average pushed over two preceding little peaks in the 108 area, then slid back into its area of the past four months. I am watching the 1977 Utility low of 104.97. I would take any break below that figure as bearish for the market (while a persistent refusal to break 104.97 would be a constructive sign).

Conclusion: I still give the bull trend "the benefit of the doubt." But I feel that the weight of evidence is beginning to stack up heavily in favor of safety, of a position on the sidelines. I consider preservation of capital the number one job of an investment advisor. Taking all this into consideration, I say, "Sell to the comfort point." I feel, based on my studies, that the "safety first" approach is fully justified.

FIBONACCI: I'll admit it, the Fibonacci series as applied to the stock market has always held a great fascination for me. Periodically I have commented on the Fibonacci series (FS), and these studies have been a great help to me in the past. During 1973 and 1974 I published a number of FS, and I concluded that the final bear market bottom could arrive in December, 1974. As fate (or Fibonacci) would have it, that is exactly what happened. And coincidence or not, the events of 1974 only confirmed my belief that there is a "great collective intelligence" which operates in the stock market. That intelligence is a function of millions of minds all reacting, interacting, confirming and even cancelling out each other. FS, I believe, is or can be a prime aid in unravelling the mystery of the market's intelligence. So here I go.

Leonardo de Pisa (called Fibonacci) was the greatest mathemetician of the Middle Ages. Elliott, of Elliott Wave fame, was fascinated with Fibonacci's discoveries. In his 1946 monologue ("Nature's Law"), Elliott mentions the FS, and it is clear that he felt that his Wave Principle was based on the FS. The FS has a number of properties, and I will recount just a few of them here. (1) The sum of any two numbers forms the next in the series, for instance: 1 and 2 = 3, 3 and 2 = 5, 5 and 3 = 8, 8 and 5 = 13, 13 and 8 = 21, and so forth to 34, 55, 89, 144, 233, 377, 610, etc.

(2) The ratio of any number to the next higher is 61.8 to 100. (3) The ratio of any number to the preceding low is 161.8 to 100. (4) The ratio of 61.8 times the ratio of .618 equals 1.

The FS is so prevalent in nature that its presence must be considered beyond coincidence. For instance, there are 13 notes in an octave, the "age of maturity" is 21, the teen-age years begin at 13, there are five openings on the face (two nostrils, two eyes, mouth), five fingers, five toes, five appendages on the body (two arms, two legs, head), and on and on.

I want to show a few past relationships which fit into the Fibonacci series. Those who wish to believe that these relationships are mere coincidence are certainly entitled to do so. I happen to think they are a product of "nature's law."

1907 panic low to 1962 panic low, **55** years.
1932 crash bottom to 1937 bull market top, **5** years.
July, 1932 bear market bottom to March, 1937 bull market top, **55** months.
September, 1929 bull top to July, 1932 low, **34** months.
1949 major bottom to 1962 bottom, **13** years.
1937 bull top to 1942 bear market bottom, **5** years.

1921 depression low to 1942 depression low, **21** years.
1949 bear market bottom to 1970 smash low, **21** years.
1957 severe correction low to 1970 low, **13** years.
1962 panic low to 1970 crash low, 8 years.

It is clear that the year 1970 was a key year from a FS standpoint. At the May, 1970 low I formulated the following (Letter of Nov. 30, 1973): 1966 bull market top to a potential bear market low in **1974** is 8 years. From the May, 1970 crash low to a potential **December, 1974** low is **55** months. December 1974 did prove to be the bear market bottom at Dow 577.60.

I have been working for the past three months on the FS, trying to uncover something in that mysterious series that might provide us with a key date for the period ahead. I have never mentioned the following to anyone, so here it is for what it is worth.

1966 bull market top to 1974 bear market low was 8 years.
September, 1976 bull market high (so far) to **October, 1977** is **13** months.
December, 1974 bear market bottom to September, 1976 bull market high is **21** months.
December, 1974 bear market bottom to **October, 1977** is **34** months.
May, 1970 crash bottom to December, 1974 bear market bottom is **55** months.
May, 1970 crash bottom to **October, 1977** is **89** months.

Thus, I have presented a Fibonacci series of 8, 13, 21, 34, 55, 89. It is of interest to me that the high for this bull market (so far) occurred on September 21, 1976 at 1014.79 on the Dow. That high arrived exactly **21** months after the December, 1974 bear market low. Rather mysteriously, the high came on the **21st** day of September, 1976.

It is also of interest that the month of **October, 1977** comes up **three times** in my tabulations. It seems to me that October could be a **very important month.** Unfortunately, in working with the FS there is no way of telling whether the projected key month will be a bottom or a top. We have to watch the market for *clues.*

Let's assume that **October, 1977** is fated to be a key month for the stock market. If that comes to pass, what are the forthcoming possibilities? The bullish possibility would be a bottom forming here or somewhere in the next few weeks (or even months), with a new major rise carrying into October.

The bearish possibility, and one that I certainly hope does not come to pass is a series of weak rallies and stronger declines with the ultimate bottom arriving in October. October is a long way off, and I would hardly relish the idea of the bottom materializing then.

SLOPES: During 1975 and again during 1976 I put out a number of studies dealing with the rising slope (or angle of ascent) in the Dow Industrials during various bull markets. In each report I warned that the rising slope of the current bull market was just "too steep" and could therefore not be sustained.

Is it possible, I ask myself, is it possible that this market has simply been "wasting time" as I thought it might when I wrote those earlier Letters? And of course it is possible that since early 1976 we have been seeing nothing but a Dow that is calming down, stringing out, consuming time so that the "prediction" based on past case histories (regarding the Dow's angle of ascent) can come to pass. For if nothing else, the long, boring, sideways movement of the past 15 months has served to lower the upward slope of the Dow.

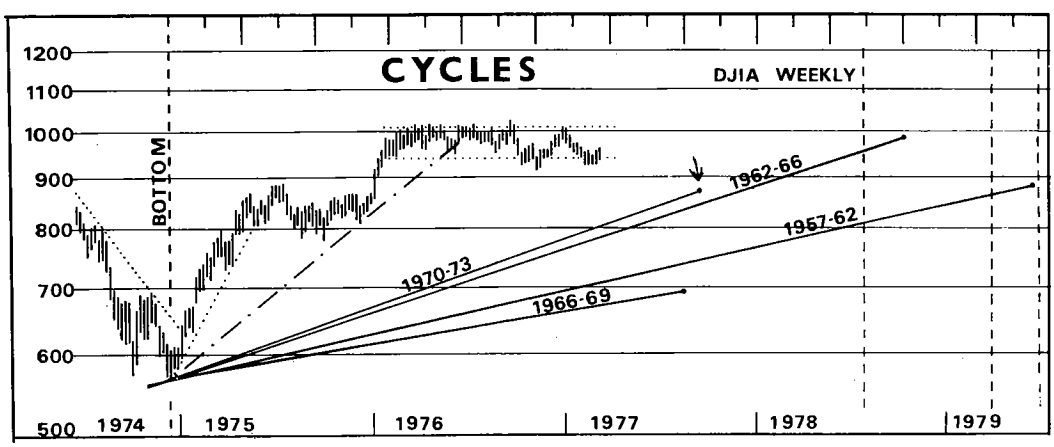
My Canadian friend, Ian McAvity (PO Box 182, Adelaide Street Stn., Toronto, Canada M5C 2J1) continues to put out some of the best looking and most useful charts in the business. His latest report shows a weekly (ratio scale) picture of the Dow along with rising trendlines representing the four most recent (extended) market advances. Even a casual study of this chart will serve to show us that this bull market has gotten way ahead of itself.

As Ian so correctly observes, the 1974-77 rise did come out of the worst over-sold (crash) bottom in modern history, and that, no doubt, accounted for the explosiveness of the initial rise. But just as a steam boiler must have an excape valve, so the market has to let off steam, and the market's method is the correction or (in very powerful markets) the sideways movement or "line."

Looking at the chart, it is a bit disconcerting to realize that even if the Dow was now to approximate the upside action of the strongest of the four previous advances shown here (which was the 1970-73 advance), we would have to see the Dow down to around 880 by August (a point marked by the arrow on the chart).

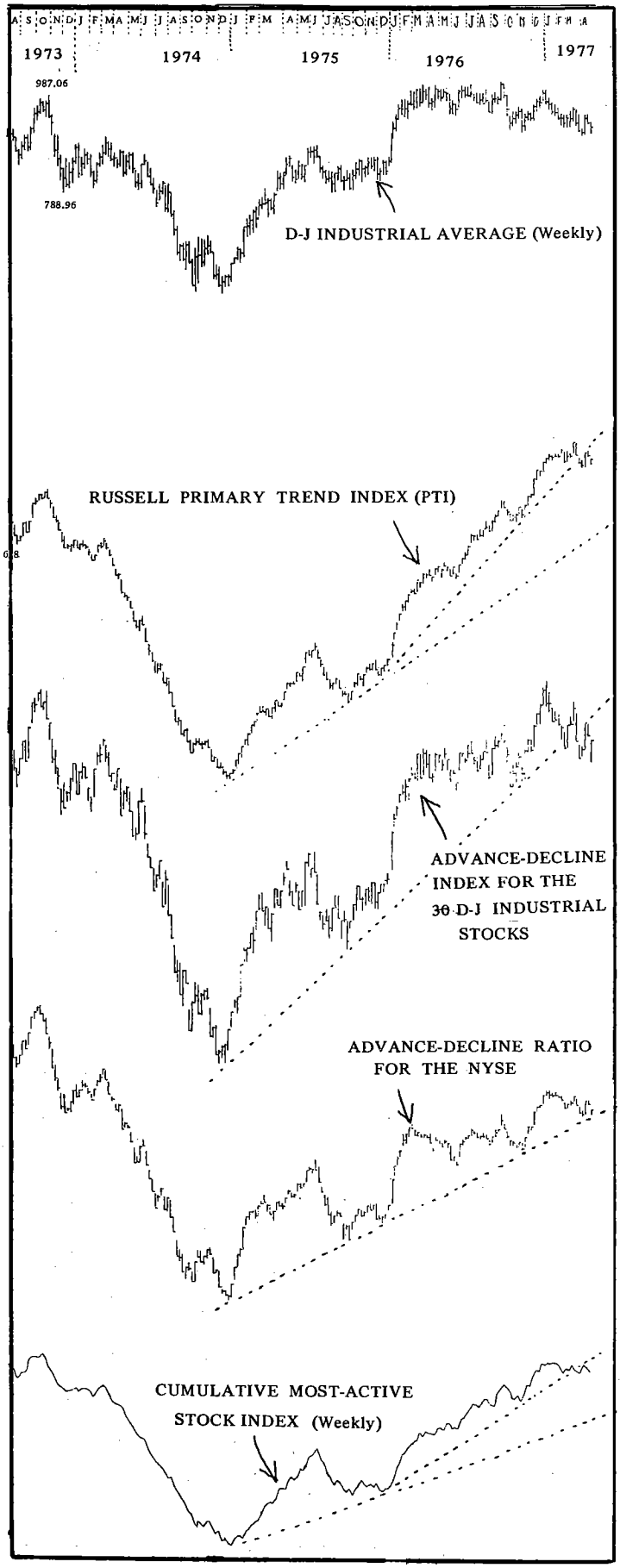
If that kind of corrective action is to occur, if the Dow is to meander down to the "below 900 area" by late 1977 and in so doing reduce its slope to the angle of the previous Dow advances, then all we will need is patience here; patience, patience and more patience, the long wait for a buy-spot.

On the other hand, if the Dow is fated to try again for the highs, my guess would be that it will be putting itself on rather thin footing. From the standpoint of history, I would rather that this market did not attempt to do something new for the record book. I personally doubt that there are enough "super-bullish" factors in the market or in the fundamentals to allow the Dow to far outperform (during 1974-77) any advance seen since 1957.



TRENDS: The market is never easy, and the current market is about as tough as they get. In other words, we need all the help we can get at this time. I am including a long-term chart of the Dow Industrial Average and four of the important breadth indices that I follow. This chart is based on **weekly** entries. Each weekly entry (vertical bar) consists of the daily high, low and close for that particular week. (chart, p.5)

Often the perspective provided by a longer-term chart will



be quite different from that of a daily or short-term chart. For that reason, I want to examine the picture as it presents itself on this weekly graph. At the top of the chart we see the Dow Industrial Average. Note the 1973-74 bear market crash, and the bottoming out during December, 1974 at 577.60. From the December low the Dow surged upward in two broad swings (this was the new primary bull market). But of late it is of interest to note that the entire range of the Dow in 1977 has been below its range of 1976.

Now let's turn to the other indices. I have been pointing out over the past year that despite relative weakness in the Dow, the various breadth indices have been looking quite positive. In other words, they have been retaining their technical strength. This appeared to belie the weakness in the Dow. But over the past month things have begun to change. And it is at this point that I began to worry.

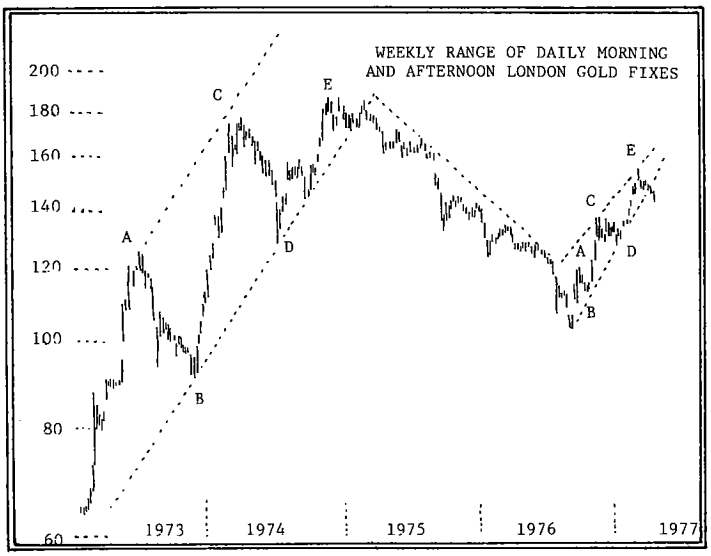
I want to be specific about the various factors that have now surfaced in the weekly charts, factors that are bothering me about this market. First my *Primary Trend Index* (PTI), which is an amalgam of eight critical indices and Averages, has broken a trendline that extends through lows recorded during 1975 and 1976. A shallower trendline (see chart) is still very much intact, but the PTI is nevertheless showing indications of breaking down on a secondary basis.

The same thing can be said of the *advance-decline index of the 30 Dow Industrial stocks.* I don't know if anyone else in the advisory industry keeps this index, but it is a cumulative differential index of the advances or declines in the 30 Dow Industrials. The Dow A-D has held beautifully to its rising trendline throughout this bull market. But as you can see, the breadth of the Dow has now broken, and this means that the Dow decline is no longer selective. The weakness has **spread** to the majority of the Dow Industrials, and that bothers me.

The *Advance-Decline Ratio* for the NYSE (which tracks the advancing or declining tendencies of all NYSE issues) has held to a rising trendline ever since the 1974 low. As a rule in technical analysis, the more times a trendline is contacted, the more important or valid the trendline. As you can see, the A-D trendline has been contacted by the A-D Ratio on five separate occasions since the 1974 low. Each time, the A-D ratio held, then rallied strongly. But the last rise (which began in October) was the weakest, and now the A-D ratio is within striking distance of the rising trendline again. A one-point drop in the A-D would rupture the trendline, and I would not care to see that happen. If it does, it will mean that the breadth of the market is finally turning weak along with the Dow. That could be ominous and lead to heavy, across-the-board losses.

Finally, the line that measures the differential of the *most-active stocks* up and the most-active stocks down (this is a cumulative index) has violated its secondary rising trendline. The most-actives have been outstandingly strong throughout 1976 and 1977–up to last month. Now they are slipping, at least on a secondary basis. The profile here fits into the picture of a weakening technical structure.

Conclusion: I added up the profile of these four important breadth indices, I stacked these profiles against the picture of the sliding Dow Industrial Average. And I concluded that the time had come to move toward the sidelines. Should all four of these breadth indices gain downside momentum along with the Dow, we could have a general market slide of perhaps drastic proportions. With the PTI and the most-active index below their secondary trendlines, with the Dow A-D line below its major trendline, with the A-D ratio right on its major trendline, the time has come to "play it safe." And that's why I advocated more selling in the last Letter.



GOLD If inflation is going to heat up, as everyone and his brother now tells us it will, you wouldn't know it from the pattern of gold. I want to go over the whole technical picture of gold at this time, because what is occurring is very fascinating.

The accompanying chart shows the weekly gold prices, plotted on the basis of the daily AM and PM fixes (out of London) for gold for each week since 1973. The price movement is charted to ratio scale, which means that all movements are shown in percentages (chart courtesy of friend John McFalls of *Value-Action*, 3838 46th Ave. N.E., Seattle, WA 98105).

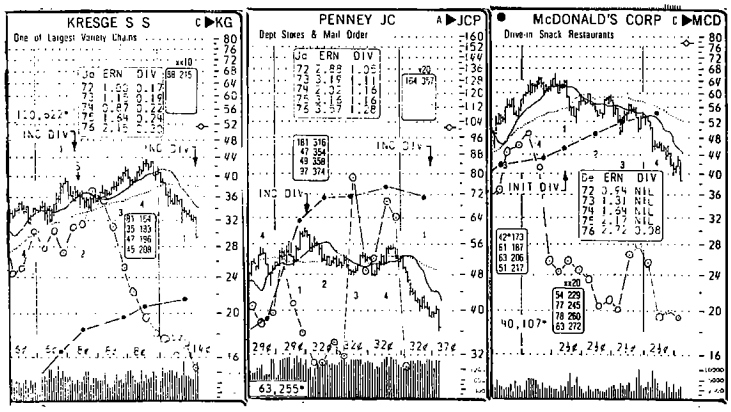
Starting with the 1973-74 action, I drew a rising trendline through the 1973 and 1974 bottoms. I then drew a *parallel* trendline starting at the 1973 top. During a strong bull movement, the price will make contact with the upper trendline on each major rise. If it can't make this contact, we have a sign of technical weakness.

Actually, I have been fooled by this concept many times in the past. It's easy to become enthusiastic during any bull market rise, easy because you're making money and your psychology is, "Why find faults with the rise, why look for trouble. I'm raking in the dough so don't bug me with technical nonsense."

At any rate, not only was gold weakening during 1974, but a 5-point Elliott rise is clearly visible (and I marked it A-B-C-D-E on the chart). At point C in early 1974, the rise topped, then broke sharply to the 1974 low at D. At E gold halted its climb, and it is clear that at point E we have a *-5-point completed pattern.* Point E was also far short of the upper trendline. At the juncture where the lower trendline (B-D) was penetrated the bear market in gold was on.

The gold collapse carried to 103.50 in August, 1976. And that takes us to the latest gold pattern. As of this writing, I can trace a completed 5-point rise ending with a 153.55 (second fix) on March 25, 1977. I find it particularly interesting to note that the whole rise in gold since the '76 low has taken the form, not only of a 5-point completed advance, but also a rising "wedge." A wedge pattern usually denotes a situation in which buying power is slowly being exhausted. At the point where the lower trendline (B-D) is violated, the buying power is totally exhausted and the sellers take over. That, I believe, is where we should be now.

So that's how I see the gold and precious metal picture today (including silver). Strangely, I have not read an analysis of this kind anywhere else. My advice is to sit tight with small gold holdings if you happen to own gold. If you have listened to me, you have no gold shares (perhaps a little Homestake). We will probably have a good gold buying spot coming up somewhere during 1977 or '78. But I don't think gold is a buy here. I think we should get a correction over the next few months, and I would expect gold to test the halfway point of its 1976-77 rise (halfway point is 128). If gold breaks 128, then I would guess it could see the 100-120 area again.



LATE NOTES AND STOCKS: In early 1976 my relative strength chart of the Consumer Group of stocks turned down. The group has been going down ever since. Consumer stocks are reflecting the weakness from Disney to Penney. I have included charts of a few representative consumer giants to illustrate this action. The fact is that *unit volume* has been rising very slowly over the past six months. The consumer is confused, concerned about mounting costs and inflation, and not about to go on a spending binge. That statement applies to the stores and it applies to the stock market.

As to the market, as I write this, the stock market is drifting sluggishly above its recent lows. Those lows (see page 1 chart) are 914.60 for Industrials, 221.81 for Transports. Joint breaking of those lows (particularly on increasing volume) would imply lower prices and the need for even greater caution. If the lows hold the market will probably have another try at a rally.

Conclusion: Most bullish investors are now hoping for either (1) a "good advance" from here, or (2) "a final, fast downside washout" leading to a real market bottom and a great buy spot. Meanwhile, bearish investors are waiting for a real collapse and a new bear market.

At this point, I'll refer again to Russell's Rule which states that **"the stock market always does what it has to—to drive the greatest number of people out of their minds."** What could that be? I would guess it would be a continued tedious decline, a decline that would keep everybody hoping, but one that would slowly erode away both profits and stock assets. The decline would, in due time, lead to a very good buying area, but the decline will be exasperating and perhaps costly to ride through. Rallies from current levels (if they occur) will be disappointing and declines will be frustrating. Study the slope chart of the Dow on page 4. It's presenting the possibility of a Dow at around 880 by July or August. A depressing thought, admittedly, but remember, you read these reports for reality, not as a booster for your hopes and wishes. (Charts courtesy of *Quote*, PO Box 213, Wichita, KS 67201.)

VERY LATE NOTE: *I got married last night. Her name is Paula. Her outstanding good looks are surpassed only by her charm and intelligence and taste in men. Which all goes to illustrate that even if the market won't move, Russell will.*

NEXT MAILING: May 13th.